

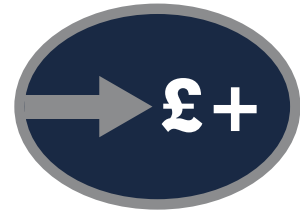
HOW DEFINED BENEFIT PENSIONS WORK:



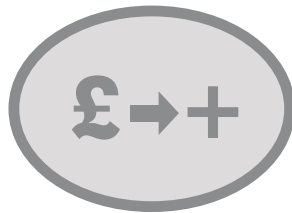
Defined benefit pensions pay out a secure income for life which increases each year.



You might have one if you've worked for a large employer or in the public sector.



Your employer contributes to the scheme and is responsible for ensuring there's enough money at the time you retire to pay your pension income.



You can contribute to the scheme too.



They usually continue to pay a pension to your spouse, civil partner or dependants when you die.

YOUR PENSION INCOME IS BASED ON:

PENSIONABLE SERVICE	→	The number of years you've been a member of the scheme
PENSIONABLE EARNINGS	→	This could be your salary at retirement ('final salary'), salary averaged over a career ('career average') or another formula
ACCRUAL RATE	→	The proportion of your earnings you'll get as a pension for each year in the scheme (commonly 1/60th or 1/80th)

HOW TO WORK OUT YOUR PENSION INCOME:



For example, if your scheme has an accrual rate of 1/60th, you were in a DB pension scheme for 10 years, you retire at 65 on a salary of £24,000 a year this would give you a pension of: 10 (years) multiplied by £24,000 (salary) Divided by 60 (accrual rate) = £4,000 a year.
 You can also commute part of your pension for a tax-free pension commencement lump sum.

RETIRE AT 65 WITH 10 YEARS IN DB SCHEME ON A £24K PER YEAR SALARY

$$10 \times \text{£}24,000 \div 60 = \text{£}4,000$$

YEARS SALARY ACCRUAL RATE PER YEAR